

**REPORT OF THE AUDIT OF THE
ROBERTSON COUNTY
SHERIFF'S SETTLEMENT - 2010 TAXES**

**For The Period
April 16, 2010 Through April 15, 2011**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
ROBERTSON COUNTY
SHERIFF'S SETTLEMENT - 2010 TAXES**

**For The Period
April 16, 2010 Through April 15, 2011**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2010 Taxes for the Robertson County Sheriff for the period April 16, 2010 through April 15, 2011. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$749,690 for the districts for 2010 taxes, retaining commissions of \$30,945 to operate the Sheriff's office. The Sheriff distributed taxes of \$716,624 to the districts for 2010 taxes. Taxes of \$2,266 are due to the districts from the Sheriff and refunds of \$145 are due to the Sheriff from the taxing districts.

Report Comments:

2010-01	The Sheriff Has A \$1,668 Deficit In His 2010 Tax Account
2010-02	The Sheriff Did Not Make Daily Deposits
2010-03	The Sheriff's Deposits Did Not Agree To Daily Tax Collection Reports
2010-04	The Sheriff's Office Lacks Adequate Segregation Of Duties
2010-05	The Sheriff Did Not Perform Monthly Bank Reconciliations

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Billy R. Allison, Robertson County Judge/Executive

Honorable Randy Insko, Robertson County Sheriff

Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the Robertson County Sheriff's Settlement - 2010 Taxes for the period April 16, 2010 through April 15, 2011. This tax settlement is the responsibility of the Robertson County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Robertson County Sheriff's taxes charged, credited, and paid for the period April 16, 2010 through April 15, 2011, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2011 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Billy R. Allison, Robertson County Judge/Executive
Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

2010-01 The Sheriff Has A \$1,668 Deficit In His 2010 Tax Account
2010-02 The Sheriff Did Not Make Daily Deposits
2010-03 The Sheriff's Deposits Did Not Agree To Daily Tax Collection Reports
2010-04 The Sheriff's Office Lacks Adequate Segregation Of Duties
2010-05 The Sheriff Did Not Perform Monthly Bank Reconciliations

The schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

August 25, 2011

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
SHERIFF'S SETTLEMENT - 2010 TAXES

For The Period April 16, 2010 Through April 15, 2011

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 71,374	\$ 189,393	\$ 319,777	\$ 68,564
Tangible Personal Property	1,545	4,472	5,784	3,440
Franchise Taxes	18,280	52,704	70,521	
Bank Franchises	3,444			
Penalties	674	1,786	3,014	647
Adjusted to Sheriff's Receipt	253	671	1,135	346
Gross Chargeable to Sheriff	95,570	249,026	400,231	72,997
<u>Credits</u>				
Exonerations	297	788	1,331	285
Discounts	1,073	2,671	4,484	1,001
Delinquents:				
Real Estate	1,071	2,842	4,798	1,029
Franchise Taxes	6,076	17,565	22,823	
Total Credits	8,517	23,866	33,436	2,315
Taxes Collected	87,053	225,160	366,795	70,682
Less: Commissions *	3,700	9,569	14,672	3,004
Taxes Due	83,353	215,591	352,123	67,678
Taxes Paid	83,353	213,325	352,235	67,711
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Audit	\$ 0	\$ 2,266	\$ (112)	\$ (33)

* and ** See Next Page.

The accompanying notes are an integral part of this financial statement.

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
SHERIFF'S SETTLEMENT - 2010 TAXES
For The Period April 16, 2010 Through April 15, 2011
(Continued)

* Commissions:

4.25% on	\$	382,895
4% on	\$	366,795

** Special Taxing Districts:

Library District	\$	1,031
Extension District		1,235

Due Districts	\$	<u>2,266</u>
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ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Robertson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2011
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Robertson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2010. Property taxes were billed to finance governmental services for the year ended June 30, 2011. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2010 through April 15, 2011.

Note 4. Interest Income

The Robertson County Sheriff earned \$63 as interest income on 2010 taxes. As of August 25, 2011, the Sheriff owed \$30 in interest to the school district and \$33 in interest to the county.

Note 5. Sheriff's 10% Add-On Fee

The Robertson County Sheriff collected \$4,497 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

April 15, 2011

Assets

Cash in Bank (All Tax Accounts)	\$	73,017
Collected Receivables		5,962
Uncollected Receivables:		
State		33
School		112
Sheriff's Fee Account:		
Bank Charges		192
Tax Commissions Overpaid		139
		<hr/>
Total Assets		79,455

Liabilities

Paid Obligations-			
Outstanding Checks	\$	35,961	
Liabilities		42,833	
		<hr/>	
Total Paid Obligations	\$	78,794	
Unpaid Obligations-			
Other Taxing Districts-			
Library		1,031	
Extension		1,235	
Interest Due School		30	
Interest Due County		33	
		<hr/>	
Total Unpaid Obligations		<hr/> 2,329	
Total Liabilities			<hr/> 81,123
Total Fund Deficit as of April 15, 2011			<hr/> <hr/> \$ (1,668)

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Billy R. Allison, Robertson County Judge/Executive
Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Robertson County Sheriff's Settlement - 2010 Taxes for the period April 16, 2010 through April 15, 2011, and have issued our report thereon dated August 25, 2011. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Robertson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-03, 2010-04, and 2010-05 to be material weaknesses.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Robertson County Sheriff's Settlement - 2010 Taxes for the period April 16, 2010 through April 15, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2010-01 and 2010-02.

This report is intended solely for the information and use of management, the Robertson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 25, 2011

COMMENTS AND RECOMMENDATIONS

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period April 16, 2010 Through April 15, 2011

STATE LAWS AND REGULATIONS:

2010-01 The Sheriff Has A \$1,668 Deficit In His 2010 Tax Account

The Sheriff has a \$1,668 deficit in his 2010 tax account due to undeposited receipts. The Sheriff's 2010 tax account has a reconciled balance of \$185 as of August 25, 2011. The Sheriff has uncollected receivables totaling \$476. The Sheriff has unpaid liabilities totaling \$2,329. Of this amount, \$1,031 is due to the Library and \$1,235 is due to the Extension district. Also, \$30 is due to the School and \$33 is due to the County for interest earned. We recommend the Sheriff deposit personal funds in the amount of \$1,668 and collect the receivables and pay the liabilities as described above to close his 2010 tax account.

Sheriff's Response: No response.

2010-02 The Sheriff Did Not Make Daily Deposits

Tax collections were not deposited daily. The Uniform System of Accounts, adopted under KRS 68.210, requires receipts to be deposited daily. Receipts were not being deposited on the same day the tax bills were marked paid. This often resulted in a delay of more than three business days before a day's receipts were posted to the bank statement. Also, franchise tax bill payments were not deposited timely. We noted a franchise tax bill in the Sheriff's office was marked paid, however, the payment was not deposited. Auditors called the company and found a check was written on March 22, 2011, in the amount of \$46,429. This check did not clear the bank and will be voided by the company and resubmitted. Daily deposits will help prevent the likelihood of misstatement or fraud occurring without being detected. We recommend the Sheriff make daily deposits as recommended by the Uniform System of Accounts.

Sheriff's Response: No response.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2010-03 The Sheriff's Deposits Did Not Agree To Daily Tax Collection Reports

The Sheriff's deposits did not agree to the daily tax collection reports. In addition, the Sheriff did not separate tax payments made in cash from tax payments made by check in his computer system. To strengthen controls, tax bills should be marked as paid by cash or check and entered into the computer accordingly. Due to the high risk associated with these cash transactions, it is crucial that the Sheriff deposit all collections on a daily basis and agree these deposits back to the tax collection reports. We recommend the Sheriff ensure all deposits are reconciled to the daily tax collection reports.

Sheriff's Response: No response.

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Period April 16, 2010 Through April 15, 2011
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2010-04 The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff is the only employee of the Sheriff's office, which creates a lack of adequate segregation of duties. The Sheriff collects and deposits tax receipts, records all transactions, prepares the monthly reports and issues checks to the taxing districts. Good internal controls dictate the same employee should not handle and record receipts and disbursements. Having only one individual responsible for all duties increases the risk that misstatements or errors may occur and not be detected in a timely manner.

Sheriff's Response: No response.

2010-05 The Sheriff Did Not Perform Monthly Bank Reconciliations

The Sheriff did not complete monthly bank reconciliations. Good internal controls dictate bank statements should be reconciled monthly and agreed to the receipts and disbursements ledgers. Failure to reconcile on a monthly basis could cause errors to occur and not be detected. We recommend the Sheriff complete bank reconciliations monthly.

Sheriff's Response: No response.

